

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

Senate Bill 554
 Finance

(The President, *et al.*) (By Request - Administration)

Appropriations

Maryland National Guard - Tricare Premium Reimbursement Program -
 Establishment (Health Care for Heroes Act of 2023)

This Administration bill establishes a TRICARE Premium Reimbursement Program in the Military Department. The department may award grants of up to \$60 per month to an “eligible recipient” who meets the reimbursement application requirements for a premium paid for individual or dependent coverage under TRICARE Reserve Select or the TRICARE Dental Program. “Eligible recipient” means an individual who is (1) eligible for TRICARE Reserve Select coverage and (2) a member of the Maryland National Guard (MDNG). The department must adopt regulations to implement and administer the program. **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: General fund expenditures increase by up to \$1.0 million in FY 2024 as the budget includes contingent funding totaling \$1.0 million, effectuated by the bill, most of which is to provide premium reimbursement grants to eligible recipients. Approximately \$280,600 is needed for personnel to implement and administer the program. Out-year general fund expenditures reflect elimination of one-time costs and assume a minimum level of participation in the premium reimbursement program. Revenues are not affected.

(in dollars)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	1,000,000	871,300	882,600	894,500	909,200
Net Effect	(\$1,000,000)	(\$871,300)	(\$882,600)	(\$894,500)	(\$909,200)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: The Administration has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Current Law: MDNG is part of the State's organized militia. MDNG includes the Maryland Army National Guard and the Maryland Air National Guard. Generally, MDNG is part of the reserve components of the U.S. Armed Forces under dual control of the State and the federal government.

The Governor may order the militia into State active duty (1) in times or on reasonable apprehension of imminent public crisis, disaster, rioting, catastrophe, insurrection, invasion, tumult, or breach of peace; (2) when martial law is declared; (3) to enforce the laws; or (4) to carry on any function of the militia of the State.

Title 32 of the U.S. Code establishes the conditions when MDNG may be mobilized with the consent of the Governor, on the condition of approval of the President or the Secretary of Defense. Title 32 mobilization includes State active duty and full-time National Guard duty within the United States and U.S. territories, which generally relates to specified events, such as natural disasters, periods of civil unrest, or terrorist attacks.

Background: Individuals serving in MDNG may receive health insurance coverage through their employer or their spouse's employer or may purchase coverage directly or through Maryland Health Connection (the State's health benefit exchange). As members of the Selected Reserves, they are also eligible for coverage under TRICARE Reserve Select and the TRICARE Dental Program. Unlike active-duty personnel who are automatically enrolled in TRICARE, Selected Reserves personnel must individually contract through the Defense Enrollment Eligibility Reporting System for TRICARE Reserve Select.

TRICARE Reserve Select is a premium-based health insurance plan available for Selected Reserves members and their families who are not on active duty, not covered under the Transitional Assistance Management Program (TAMP), and not eligible for or enrolled in the Federal Employee Health Benefits Program. Individuals enrolled in TRICARE Reserve Select pay monthly premiums, an annual deductible, copayments for in-network covered services, and a percentage cost share for out-of-network covered services. For calendar 2023, premiums are \$48.47 per month for individual/sponsor coverage and \$239.69 per month for family coverage.

The TRICARE Dental Program is a premium-based dental plan for National Guard/Reserve members who are not on active duty, not covered under TAMP, family members of a National Guard/Reserve member, or family members of an active-duty service member. For calendar 2023, premiums are \$11.94 per month for sponsor-only coverage and \$89.53 for family coverage.

State Expenditures: The fiscal 2024 budget as passed by the General Assembly includes \$750,000 in general funds for the department, contingent on the enactment of this bill or its cross file. Another \$250,000 in general funds is contingent on legislation to establish a program that provides health benefits for National Guard members (without reference to a specific bill); this analysis assumes that the bill’s provision of premium reimbursement grants qualifies as a health benefit and meets that contingency. Accordingly, the bill effectuates \$1.0 million in general fund appropriations in fiscal 2024, at least \$588,753 of that amount is expended in the first year of the program. This analysis assumes the \$250,000 is applied toward the \$280,593 in administrative costs and the \$750,000 is used for premium reimbursement grants (subsidies) and to supplement personnel costs as needed, as discussed further below.

Personnel and Administrative Costs

To establish and implement a new premium reimbursement program, the department requires additional personnel. Thus, general fund expenditures increase by at least \$280,593 in fiscal 2024, which accounts for the bill’s July 1, 2023 effective date. This estimate reflects the cost of hiring one program manager and two accounts payable specialists to implement the premium reimbursement program, adopt regulations, conduct outreach to eligible recipients during the fall open enrollment period, and administer the program, which is assumed to be in place by January 1, 2024. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	3.0
Salaries and Fringe Benefits	\$257,571
Operating Expenses	<u>23,022</u>
Total FY 2024 Personnel/Administrative Expenditures	\$280,593

Future year expenditures reflect annual increases in salaries and employee turnover as well as annual increases in ongoing operating expenses. To the extent participation in the subsidy program is greater, additional staff may be needed in future years.

As noted above, since the bill appears to meet the contingency in the budget bill, it effectuates the \$250,000 general fund appropriation in the fiscal 2024 budget for such staffing costs.

Premium Reimbursement Grants

As of February 7, 2023, the strength of MDNG was 5,666 personnel (including 4,358 Maryland Army National Guard members and 1,308 Maryland Air National Guard members). An estimated 8% of MDNG members are currently enrolled in

TRICARE Reserve Select. According to the U.S. Census Bureau, an estimated 7.1% of Maryland residents younger than age 65 are uninsured.

This analysis assumes that a *minimum* of 15.1% of MDNG members elect to receive a premium subsidy under the bill, reflecting the 8% estimated to be currently enrolled in TRICARE Reserve Select and the 7.1% estimated to be uninsured (who would make the choice to enroll in that insurance coverage due to the premium reimbursement program). Should 15.1% of MDNG members (856) participate, costs increase by up to \$308,160 in fiscal 2024, to provide six months of premium subsidies of up to \$60 per month, assuming the program is operational by January 1, 2024. To provide a full year of premium subsidies, expenditures increase by \$616,320. To the extent additional individuals enroll, costs increase further.

While availability of a \$60 per month premium subsidy for TRICARE Reserve Select and TRICARE Dental provides a financial incentive for individuals to elect such coverage, the number of MDNG members who enroll in the premium reimbursement program depends on the availability of other health insurance coverage options (and their cost) and which option works best for each individual member and their family. Thus, actual enrollment in the premium reimbursement program cannot be reliably estimated at this time.

Regardless, the bill effectuates the \$750,000 contingent appropriation for such premium subsidies in the fiscal 2024 budget. Accordingly, that amount of funding is available for the six months of premium subsidies assumed to be provided in fiscal 2024. If only 15.1% of MDNG members participate, costs for the subsidies total \$308,160 and the funding is greater than necessary for subsidies in the first year. If premium subsidies are provided for more than six months and/or a greater percentage of MDNG members participates, premium subsidy costs increase correspondingly. Excess funding budgeted for premium subsidies is assumed to be transferred via budget amendment to help cover the staffing costs discussed above (as there is no prohibition against doing so); any unexpended or unencumbered funds revert to the general fund.

For illustrative purposes only, the cost to provide premium subsidies for 100% of MDNG members in fiscal 2024 (regardless of insurance coverage) would be \$2.0 million for six months of subsidies (\$4.1 million on an annual basis).

Additional Comments: Provision of a \$60 per month subsidy in fiscal 2024 would fully cover the cost of TRICARE Select or TRICARE Dental premiums for individual (sponsor only) coverage and 99.3% of the cost of coverage for both TRICARE Select and Dental premiums for individuals. For family coverage, the subsidy would cover 67.0% of TRICARE Dental premiums, 25.0% of TRICARE Select premiums, and 18.2% of TRICARE Select and TRICARE Dental premiums. To the extent premiums increase in future years, the percentage of premiums covered is reduced.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 553 (The Speaker, *et al.*) (By Request - Administration) - Appropriations.

Information Source(s): Department of Budget and Management; Maryland Department of Health; Military Department; Department of Legislative Services

Fiscal Note History: First Reader - February 18, 2023
rh/ljm Third Reader - March 28, 2023
Revised - Amendment(s) - March 28, 2023
Revised - Budget Information - May 8, 2023

Analysis by: Jennifer B. Chasse

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Maryland National Guard - Tricare Premium Reimbursement Program - Establishment (Health Care for Heroes Act of 2023)

BILL NUMBER: SB0554/HB0553

PREPARED BY: Brad Fallon

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

This legislation will create an avenue for members of the Maryland National Guard and their families to receive healthcare and dental care without monthly payments. In addition to serving as a recruitment tool for the Guard, this will allow more families to afford health care and dental care. This may increase visits to healthcare providers and generally produce economic growth. The savings in healthcare costs may also be used to purchase other services and products in the state.